

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF**

**FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL**

DATE: NOVEMBER 19, 2014

**SUBJECT: IDAHO POWER'S REQUEST FOR A DETERMINATION REGARDING
AN ENERGY SALES AGREEMENT WITH BLIND CANYON
AQUARANCH, CASE NO. IPC-E-14-39**

On November 13, 2014, Idaho Power filed an Application with the Commission for approval or rejection of an Energy Sales Agreement with Blind Canyon Aquaranch, Inc. for the sale and purchase of electric energy from the Blind Canyon Hydro Project. Idaho Power requests that its Application be processed by Modified Procedure.

THE APPLICATION

Idaho Power requests that the Commission accept or reject the Energy Sales Agreement between Idaho Power and Blind Canyon Aquaranch, Inc. (Blind Canyon) under which Blind Canyon would sell and Idaho Power would purchase electric energy generated by the project's 1.625 megawatt (MW) non-seasonal hydro facility located near Wendell, Idaho. The Agreement between the parties was executed on October 31, 2014. The Agreement is for a term of 20 years.

Blind Canyon is currently selling energy to Idaho Power under a 20-year PURPA agreement that was executed in 1994 and approved by the Commission in January 1995. Order No. 25852. Blind Canyon has requested a new 20-year agreement as a PURPA qualifying facility for a non-seasonal hydro project smaller than 10 average megawatts (aMW). The Agreement between Idaho Power and Blind Canyon includes full capacity payments pursuant to Commission Order No. 32697 as a replacement contract.

The nameplate rating of this facility is 1.625 MW. Blind Canyon will be required to provide data that Idaho Power will use to confirm that under normal and/or average conditions, the facility will not exceed 10 aMW on a monthly basis. Should the facility exceed 10 aMW on

a monthly basis, Idaho Power will accept the inadvertent energy that does not exceed the maximum capacity amount, but will not purchase or pay for the inadvertent energy.

Blind Canyon has selected December 15, 2014, as its Scheduled First Energy Date and Scheduled Operation Date in order to maintain uninterrupted operation after the expiration of its existing agreement. All applicable interconnection charges and monthly operation and maintenance charges under Schedule 72 will be assessed to Blind Canyon.

The new Agreement contains revised terms and conditions pursuant to the Commission's final Orders in Case No. GNR-E-11-03. These revised conditions are the same or similar to those recently approved by the Commission in Case Nos. IPC-E-14-06, IPC-E-14-07 and IPC-E-14-12. The changes include: reference to the ICE index and formula; modified provisions regarding delay liquidated damages and delay security; ownership of environmental attributes; provisions providing for revision of initial year monthly net energy amounts on a monthly rather than quarterly basis; and several other minor changes consistent with Commission orders.

As with all PURPA QF generation, the project must be designated as a network resource (DNR) to serve Idaho Power's retail load on its system. Consequently, the Agreement contains provisions requiring completion of a Generator Interconnection Agreement (GIA), compliance with GIA requirements, and designation as an Idaho Power network resource as conditions of Idaho Power accepting delivery of energy and paying for the same under the Agreement. In order for the project to maintain its DNR status, there must be a power purchase agreement associated with its transmission service request that maintains compliance with Idaho Power's non-discriminatory administration of its Open Access Transmission Tariff (OATT) and maintains compliance with FERC requirements.

Article 21 of the Agreement provides that the Agreement will not become effective until the Commission has approved all of the Agreement's terms and conditions and declared that all payments Idaho Power makes to Blind Canyon for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

STAFF RECOMMENDATION

Staff has preliminarily reviewed the Application and recommends that the case be processed by Modified Procedure with a 14-day comment deadline.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure with a 14-day comment deadline?

Kristine A. Sasser

Kristine A. Sasser
Deputy Attorney General

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